Lesson One
Making Decisions

Practical Money Skills
Making decisions means thinking about choices and predicting consequences. Sometimes it means taking risks and giving up things we want.

- alternatives

- consequences

- risk

- opportunity cost

You are trying to choose between two alternatives. Should you buy a CD or go out for pizza? You have enough money to do only one. The enjoyment you get from a CD might last longer than the enjoyment of eating pizza. You decide to give up going out for pizza. What is the cost of your decision called?
the decision-making process

What is the problem?

What do I know about this problem?

What are my alternative choices for solving this problem?

What are the consequences of each of my choices?

What is the best choice?

Did I make a good choice? How do I know?
We live in an Information Age. There are many places to find advice and information. Where would YOU go for help?

- people

- agencies

- magazines and books

- other publications

- internet
There are many ways to make a decision. Some strategies work better than others. Which of these do you use?

- spontaneity
- compliance
- procrastination
- agonizing
- desire
- avoidance
- security
- synthesis
- ?

Candy and magazines are often on display at the supermarket checkout. What decision-making strategy does the store hope you will use?
Before you make a decision about money, what do you need to know about our economy?

- consumer prices
- inflation/deflation
- consumer spending
- interest rates
- unemployment rate
- ?

You don't have enough money to buy a CD player you want. Should you cash the birthday check that your grandmother gave you? Your parents want you to put that check into a savings account. What economic conditions should you think about before you make this decision?
BEWARE: making choices about money can be risky! What are some risks that you should think about before you make a final decision?

- personal risks
- inflation risk
- interest-rate risk
- income risk
- ?

You worked hard over the past year and earned about half of the money that you’ll need to buy a used car.

- Should you put your money in a savings account?
- Should you keep working until you’ve saved the full amount?
- Should you take out a loan and buy the car now?
- What risks might there be?